Banking & Finance Bulletin – Q3 2024
Recent Sectoral Developments

Significant Amendments Made to Tax Legislation

The recently enacted Omnibus Tax Law No. 7524 introduces several significant changes: it establishes a dividend distribution requirement for the existing corporate tax exemption on income from real estate for investment funds and partnerships; provides income tax exemptions for stock options in tech ventures; raises the corporate tax rate for project companies in public-private partnerships utilizing build-operate-transfer and build-lease-transfer models; and allows for the valuation of precious metals at market prices.

In M&A and spin-off deals, a tax audit is now mandated for the transferee to deduct the carry forward VAT. Furthermore, subsidiaries of multinational corporate groups with annual consolidated revenues exceeding EUR 750 million (or its equivalent in Turkish Lira) for at least two of the four preceding years will be subject to local and global minimum complementary corporate tax. The introduction of a domestic minimum corporate tax also requires that at least 10% of corporate earnings be taxed before any deductions or exemptions, with detailed regulations governing the applicable exemptions and deductions.

On 27 September 2024, the Revenue Administration issued a communiqué stating that employees of tech ventures who receive shares at no cost or at a discount will be exempt from income tax on a portion of the shares not exceeding their annual gross salary, provided the shares are held for three years. If these shares are sold within three full years of acquisition, the entire exempted tax will be due; if sold between four to six years, 75% of the exempted tax will apply; and if sold between seven to twelve years, 25% will be collected from the employer, along with default interest, without penalties for tax loss. Valuations will be based on the fair market price of the shares at the time of issuance, and shares issued prior to the enactment of the Omnibus Tax Law will not qualify for this exemption.

Real Estate Investment Funds Now Allowed to Invest in Real Estate Development Projects

The Capital Markets Board ("**CMB**") amended the Communiqué on Principles of Real Estate Investment Funds ("**REIF Communiqué**") on 17 July 2024 to allow funds to invest in residential real estate projects and simplify the application process. Funds that focus on residential real estate initiatives will be designated as "project real estate investment funds." Their portfolios will be limited to land designated for project development, as well as financial assets and capital market instruments regulated under the REIF Communiqué, including time deposit accounts and warrants. Notably, a minimum of 80% of the total value of these funds is not required to be allocated to real estate investments, differing from the standards for other real estate investment funds. For further details, refer to our 31 July Client Alert.

Treasury and Finance Ministry and Development Investment Bank Establish USD 50 Million Sub-Fund

The Republic of Türkiye's Ministry of Treasury and Finance ("**Ministry**") and Development Investment Bank of Türkiye have officially signed a protocol to establish a sub-fund totaling USD 50 million. This initiative is part of the Ministry's strategy to invest in high value-added sectors and improve the venture capital ecosystem, aligning with the objectives of the Medium Term Program, which is a three year program that includes economic and social policies prepared by the Ministry. The Ministry has committed to a resource transfer of USD 35 million for this purpose and the planned investments are intended to generate a leverage effect on technological advancement and stimulate economic growth. As a result of this recent development, the total fund size managed by the Türkiye Development Fund, which was established in 2019, has exceeded TRY 4.2 billion.

Stamp Tax Exemption Now Applicable for Certain Investment Agreements

The 26 July 2024 amendment to the Stamp Tax Law encompasses investment agreements established between the Republic of Türkiye's Ministry of Industry and Technology and the investors referenced in the Foreign Direct Investments Law.[1] These contracts can now benefit from the exemptions granted to investment contracts executed within the scope of state aid. Additionally, provisional Article 41[2] empowers the Minister of Treasury and Finance of the Republic of Türkiye to issue special government domestic debt securities (*Devlet*

[1] Published in the Official Gazette, 5 June 2003, No. 4875.
[2] Law No. 4749 on the Regulation of Public Financing and Debt Management

İç Borçlanma Senedi (DİBS) in Turkish) to the Türkiye Wealth Fund's Market Stability and Balance Sub-Fund, which aims to reinforce state banks' capital structures for the 2024 fiscal year.

CMB's Principle Decision on Buy-Back Programs

The Capital Markets Board ("**CMB**") has enacted new regulations regarding share buy-back programs for publicly-listed companies and their subsidiaries through its principal decision numbered i-SPK.22.8, dated August 1, 2024 (41/1198 s.k.). The key amendments are summarized as follows:

Regarding Previous Principle Decisions:

- The CMB repealed the resolution numbered i-SPK.22.7 (dated February 14, 2023 and numbered 9/177 p.k.) regarding the facilitation of share buy-back transactions of listed companies and their subsidiaries in order to mitigate the negative impact of the earthquake on the financial markets on February 6, 2023 on the grounds that it is no longer necessary due to the elapsed time.
- Additionally, the CMB has repealed Resolution numbered i-SPK.22.4, dated November 11, 2016 (31/1081 p.k.), and will now implement paragraph 15/1-b of the Communiqué on Share Buyback numbered II-22.1 ("**Communiqué**"), which states, "*The price order given for repurchase cannot exceed the current highest bid price pending in the order system.*" Previously, the relevant subparagraph of the Communiqué specified, "*The price order given for repurchase cannot be higher than the current price offers or the last realized sale price.*"
- The CMB has affirmed that all corporations must carry out their processes in accordance with the provisions of the Communiqué and currently effective Principles Decisions numbered i-SPK.22.1 (dated July 24, 2014, 23/759 p.k.), i-SPK.22.2 (dated January 27, 2016, 3/77 p.k.), and i-SPK.22.5.a (dated March 9, 2023, 13/314 p.k.).

Regarding Existing Buy-back Programs:

- It has been determined that the share buy-back programs initiated by publicly listed companies and their subsidiaries, following the approval of their board of directors, will remain valid until the next general assembly meeting. However, these programs may be terminated prior to this date, provided that such decision is resolved by the board of directors and publicly disclosed.
- Furthermore, all transactions carried out under these buy-back programs must comply with the Communiqué, and relevant material event disclosures as outlined in paragraphs 4, 5, 6, and 7 of Article 12 of the Communiqué should be made accordingly.
- Lastly, shares repurchased in violation of the Communiqué will not be subject to the provisions of paragraph 19/2, as previously determined by Principle Decision numbered i-SPK.22.7. The three-year disposal period for shares that exceed the 10% limit specified in paragraph 9/1 of the Communiqué will continue to be calculated based on the shares' acquisition date, in accordance with the provisions of paragraph 19/3.

CMB Announcement on the e-Application System

As reported in our first issue of this year, the Capital Markets Board ("**CMB**") has published a guideline concerning its e-Application System. This system enables capital market institutions and organizations to submit their applications, specifically those from issuers, institutions, and organizations under the Central Registry System ("**MERSIS**"), which fall within the purview of the Partnership Finance Department. Further information from our first issue can be accessed here.

The CMB expanded the scope of the e-Application System in an announcement dated 25 July 2024, numbered 39/1162 p.k. Effective 5 August 2024, issuers and capital market institutions under the scope of the MERSIS, as well as other institutions and organizations submitting applications related to the Capital Markets Law No. 6362, and the Departments of Legal Affairs, Institutional Investors, Brokerage Activities, Accounting Standards, and Partnership Finance, will be required to submit their applications electronically through the e-Application System.

It is essential that the application processes are compliant with the principles established in prior decisions. Moreover, it has been emphasized that deadlines for completion will be enforced based on the type of applications, and any applications missing required information or documentation will be removed from the processing queue.

Türkiye Receives Credit Rating Upgrades from Major Agencies

Fitch Ratings, which upgraded Türkiye's credit rating from 'B' to 'B+' on 8 March 2024, has since raised it again by one notch to 'BB,' adjusting its outlook from positive to stable. Meanwhile, Moody's upgraded Türkiye's sovereign credit rating by two notches from 'B3' to ‘B1’ in July, maintaining a positive outlook. Additionally, S&P elevated Türkiye’s credit rating from ‘B’ to ‘B+,’ following the May local elections. As a result, Türkiye has secured upgrades from all three major credit rating agencies in 2024.

Fitch Upgrades Ratings of 24 Turkish Banks

Following its upgrade of Türkiye’s sovereign credit rating to ‘BB-,’ Fitch Ratings furthered its positive outlook by upgrading the long-term foreign currency ratings of 24 Turkish banks. This move is attributed to several favorable developments, including the strengthening of Türkiye’s cross-border financing buffers, a reduction in demand for foreign currency, and a decline in dollarization.

World Bank Injects USD 600 Million to Revive Turkish SMEs Post-Earthquake

The World Bank has allocated USD 600 million in financing to revitalize small and medium enterprises (SMEs) in Türkiye, which suffered significantly in the devastating 2023 earthquakes. Seven small industrial estates will be established in the four hardest-hit provinces to accommodate 1,600 small businesses. This initiative aims to accelerate economic recovery while also enhancing the resilience of these industrial estates against future earthquakes and the impacts of climate change.

ITFC’s USD 150 Million To Support Post-Earthquake Development Efforts

In alignment with its sustainable development objectives, the Development and Investment Bank of Türkiye has successfully secured USD 100 million in financing from the International Islamic Trade Finance Corporation (“**ITFC**”). This funding will address the financing requirements of businesses in the agro-industrial and food sectors throughout Türkiye, enhancing their import and export operations and improving supply chain efficiency. According to a recent statement, this financing is specifically intended to support food security needs following the earthquake that impacted Türkiye in 2023.

Additionally, ITFC has extended its support to the Industrial Development Bank of Türkiye, which will utilize USD 50 million in financing to fulfill the working capital requirements of private sector companies affected by the earthquake. This funding is designed to assist with the pre-import and pre-export financing needs of Turkish firms, including those directly impacted by the earthquake, thereby promoting economic revitalization in the region.

Both financing arrangements are backed by the guarantee of the Ministry of Treasury and Finance of the Republic of Türkiye.

Extension of Implementation Period for Revised Withholding Tax Rates

The implementation periods for withholding tax rates specified in Provisional Article 67 of Income Tax Law No. 193 have been extended with Presidential Decree No. 8775 (“**Decree**”) published in the Official Gazette on 1 August 2024. The amendments regarding these withholding tax rates, which were outlined in our previous issue, can be accessed here. Please note the following updates:

- The rates of withholding tax for interest on Turkish lira deposits and dividends distributed to participation accounthave been extended until 31 October 2024

Interest on Deposits	Applicable rate for accounts opened or whose maturities renewed between 01/05/2024 - 31/10/2024	Applicable rate for accounts opened or whose maturities renewed between 30/09/2020 – 30/04/2024
Demand accounts, call accounts and deposit accounts up to six months (including six months)	7.5%	5%
Deposit accounts up to one year (including one year)	5%	3%
Deposit accounts with maturities longer than one year	2.5%	0%

Deposit accounts with maturities longer than one year featuring variable interest rates based on the inflation rate	0%	0%
Dividends distributed by participating banks to holders of participating accounts.	**Applicable Rate for accounts opened or whose maturities renewed between 01/05/2024 - 31/10/2024**	**Applicable Rate for accounts opened or whose maturities renewed between 30/09/2020 – 30/04/2024**
Demand accounts, call accounts and deposit accounts up to six months (including six months)	7.5%	5%
Deposit accounts up to one year (including one year)	5%	3%
Deposit accounts with maturities longer than one year	2.5%	0%

- The withholding tax of 0% applicable to income generated from government bonds, Treasury bills, and lease certificates issued by asset lease companies established pursuant to Law No. 4749 on Regulating Public Finance and Debt Management has also been extended until 31 October 2024.
- The withholding tax rates for bank bonds, bills and lease certificates issued by asset lease companies where the fund users are banks, have been extended until 31 October 2024.

Bank Bonds and Bills and Lease Certificates Issued by Asset Leasing Companies where the Fund User is Banks	Applicable Rate for 01/05/2024 – 31/10/2024	Applicable Rate for 23/12/2020 – 30/04/2024
From proceeds generated by those with maturities up to six months (including six months)	7.5%	5%
From proceeds generated by those with maturities up to one year (including one year)	5%	3%
From proceeds generated by those with maturities longer than one year	2.5%	0%
From profits derived from the disposal of assets held for less than six months (including six months)	7.5%	5%
From profits derived from the disposal of assets held for less than one year (including one year)	5%	3%
From profits derived from the disposal of assets held for more than one year (including one year)	2.5%	0%

- The end date for the 0% deduction rate for investment funds, excluding the foreign currency investment funds, was set as 30 April 2024. Investment funds acquired between May 1, 2024 and July 31, 2024 (including this date) was subject to a deduction rate of 7.5%. Effective 31 July 2024, a 10% rate will be applied unless new regulations are enacted. Under the new Decree, this rate will remain in effect until 31 October 2024.
- The withholding tax of 7.5% on certain securities issued by mortgage finance institutions has also been extended until 31 October 2024. Securities acquired between 1 May 2024, and 31 October 2024 (including this date) will be subject to this rate.

- In addition to extending the implementation periods, it is important to note that the exemption for income derived from currency-hedged deposit accounts and participation accounts has been terminated. Furthermore, withholding tax rates have now been established for foreign currency and gold deposit accounts, which are outlined as follows:

Currency-Hedged (deposit or participation), Currency ve Gold Deposit Accounts	Applicable Rate for accounts opened or whose maturities renewed before 01/08/2024	Applicable Rate for accounts opened or whose maturities renewed after 01/08/2024 (included)
For accounts up to six months (including six months)	0%	7.5%
For accounts up to one year (including one year)	0%	5%

Interest Rate Cap Revised for Currency-Hedged Deposit Accounts

The Central Bank of the Republic of Türkiye ("**CBRT**") has implemented a significant change to the lower limit of the interest rate applicable to Currency-Hedged Deposit Accounts ("**FX Hedged Deposit Accounts**") through a newly-issued instruction sent to banks. The lower limit of the interest rate for FX Hedged Deposit Accounts has been adjusted from 80% to 70% of the policy rate. The foreign exchange difference payable to account holders at maturity will continue to be calculated based on the policy rate.

Additionally, the instruction specifies that no payments labeled as "additional return" will be made to newly-opened or renewed FX Hedged Deposit Accounts. This change aims to reduce the proportion of deposits in FX Hedged Deposit Accounts and promote an increase in TRY deposits. These amendments will take effect as of 22 July 2024.

Türkiye and Singapore Red Cross Sign MoU for Earthquake Communication Centers

The Ministry of Treasury and Finance of the Republic of Türkiye has signed a memorandum of understanding (MoU) with the Singapore Red Cross Society to finance the construction of communication centers in earthquake-affected areas. This agreement, which encompasses 18 provinces, includes a direct funding transfer of USD 440,000 to the Ministry of Environment, Urbanization, and Climate Change of the Rebuplic of Türkiye. Details of the memorandum can be found here.

New Reporting Requirements Announced for Multinational Corporate Groups in Türkiye

Following the amendment to the Decree on Disguised Profit Distribution through Transfer Pricing,[3] members of multinational corporate groups subject to country-by-country reporting obligations must notify the Revenue Administration within six months of the end of the reporting period. This notification should include details regarding their intragroup reporting obligations and accounting period information.

MASAK Issues Guidelines for Reporting Suspicious Transactions in the Gaming/Betting Sector

The Financial Crimes Investigation Board ("**MASAK**") has released the Suspicious Transaction Notification Guideline, outlining the procedures and principles for reporting suspicious transactions in the gaming and betting industry. Effective 13 September 2024, operators in this sector are required to report any suspicious transactions in accordance with the new guidelines. Additionally, the MASAK Online 1.0 system, which facilitates electronic notifications, has been upgraded with the latest technology to better serve those in the gaming field.

Update on Pledging Private Pension Funds as Loan Collateral

[3] Published in the Official Gazette, 14 September 2024

The practice of using private pension funds as loan collateral, previously announced in our first and second quarter bulletins, has now completed its first quarter of implementation. According to data from the Pension Monitoring Center, as of 13 September 2024, banks have submitted 443 loan applications, with collateral amounts totaling approximately TRY 134.76 million. Additionally, the collateral transferred to the Central Receivables Assignment Fund has reached TRY 99.44 million.

CBRT and BRSA Unveil New Measures for Credit Card Transactions and Debt Restructuring

The Central Bank of the Republic of Türkiye ("**CBRT**") and the Banking Regulation and Supervision Agency ("**BRSA**") have unveiled coordinated measures targeting credit card transactions and debt restructuring. Effective 1 November 2024, the CBRT will revise maximum interest rates on credit card transactions, applying reference rates ("**RO**") across various categories. Meanwhile, the BRSA is set to offer restructuring options for borrowers struggling to meet their credit card and personal loan obligations, allowing for repayment terms of up to 60 months while adjusting minimum payment requirements.

For example, the CBRT has adjusted maximum contractual interest rates for TRY-denominated retail credit card transactions to RO+39 basis points for debts up to TRY 25,000, RO+114 basis points for debts between TRY 25,000 and TRY 150,000, and RO+164 basis points for debts exceeding TRY 150,000. For transactions denominated in foreign currency, 70% of the rates established for TRY transactions will be applied.

In its recent decisions, BRSA has authorized debt restructuring for up to 60 months for individuals unable to meet their personal credit card and loan obligations. If the restructured amount surpasses the credit card limit, this excess will not be deemed as exceeding the limit, and the credit card limit at the respective bank will remain unchanged until at least half of the restructured debt is repaid.

Additionally, minimum payment requirements have been revised. For credit card limits of TRY 50,000 or less, the minimum payment is set at 20% of the outstanding debt, while for limits exceeding TRY 50,000, this rate is increased to 40%.

Turkish Banks Association Publishes Green Transformation and Border Carbon Regulatory Mechanism Assessment Report

The Banks Association of Turkey ("**TBB**") published the "Green Transformation and Carbon Border Adjustment Mechanism Evaluation Report" on 30 July 2024. The report explores the impact of green transformation on the business world, focusing on the importance of the European Green Deal and Carbon Border Adjustment Mechanism **("CBAM")** for Türkiye.

It offers significant insight into reducing carbon emissions, sustainable production, and financing green transformation processes. The report also examines in detail the challenges and opportunities Türkiye faces in this transition, including the investments needed for sectors to shift to low-carbon production.

Key Highlights of the Report:

- **Green Transformation:** The report emphasizes the steps Türkiye must take in the fields of industry and economy to reduce carbon emissions. It gives special attention to energy efficiency, renewable energy use, and sustainable production processes.
- **CBAM:** The report analyzes how the European Union's new regulation on carbon-intensive imports could affect Turkish industries and discusses strategies for compliance. It particularly examines the effects on sectors such as cement, iron and steel, and aluminum.
- **Impact on Türkiye:** The report explores the potential economic consequences of CBAM on Türkiye's trade relations with the EU and suggests ways to maintain competitive advantage.

Opportunities and Challenges:

The report highlights opportunities for investing in green technology and exporting low-carbon products, while also pointing out the challenges of high transformation costs and technical compliance. It offers strategic recommendations for Türkiye to take the necessary steps toward sustainable growth.

CBRT Steps to Combat Inflation for 2024

The Central Bank of the Republic of Türkiye and the Bank of Korea renewed their bilateral currency swap agreement on 12 August 2024. The agreement will enable a local currency swap worth TRY 56 billion or 2.3 trillion Korean won and will remain valid for three years. This arrangement aims to enhance the development of trade relations between the two countries and strengthen financial cooperation.

For more information: TCMB Duyuru.

Amendments to the Taxonomy of Turkish Financial Reporting Standards

Changes made to the Turkish Financial Reporting Standards (“**TFRS**”) Taxonomy enable companies to present their financial statements by taking into account the effects of inflation, particularly by adding new items related to inflation adjustments. The 2024 TFRS Taxonomy incorporates new headings, such as “impact of inflation,” into cash flow statements, ensuring compliance with both direct and indirect reporting methods. This regulation aims to clarify the effects of inflation on financial statements more transparently.

Memorandum of Understanding between MASAK and KwFIU on Cooperation in the Exchange of Financial Intelligence on Money Laundering, Related Predicate Offenses, and Financing of Terrorism

The "Memorandum of Understanding on Cooperation in the Exchange of Financial Intelligence Regarding Money Laundering, Related Predicate Crimes, and the Financing of Terrorism," signed between the Financial Crimes Investigation Board of the Ministry of Treasury and Finance of the Republic of Türkiye and the Kuwait Financial Intelligence Unit, has come into effect.

This agreement aims to enhance cooperation between the financial intelligence units of the two countries in the fight against money laundering, the financing of terrorism, and related crimes. Under the memorandum, authorized authorities will share information that may lead to investigations and prosecutions, facilitating analysis on these matters. The agreement was signed in May 2024 in Ankara and in June 2024 in Paris.

Erdemir’s Successful USD 750 Million Eurobond Issuance

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. has successfully completed a USD 750 million eurobond issuance. The final yield on the five-year bond has been set at 8.6%. The offering attracted demand amounting to four times the initial target of USD 500 million, gathering a total of USD 2 billion in orders. The issuance will be listed on the Euronext Dublin Stock Exchange.

Ministry of Trade Launches Support Program for Sustainability

The Ministry of Trade of the Republic of Türkiye has opened applications for the “Green Deal Compliance Project Support – Responsible Program,” aimed at aligning with the European Green Deal. The program targets manufacturing and exporting companies that have achieved annual exports of USD 300,000 or more in each of the past three calendar years, facilitating their access to sustainability consultancy services. It supports companies in the development, implementation, and monitoring of sustainability roadmaps, while emphasizing the need for consultancy firms to meet specific qualifications. The Green Deal Compliance Project Support aims to help firms develop efficient and impactful projects, thereby making a significant contribution to the country’s sustainability goals.

2024 Announcement from the Ministry of Treasury and Finance on Precious Metal Refineries: Operational Permits and Applications

An announcement published by the Ministry of Treasury and Finance of the Republic of Türkiye regarding precious metal refineries provided information on the operational permits and application processes for refining activities in Türkiye. The notice specifies that separate operational permits will be issued for the refining of gold, silver, platinum, and palladium, and that the refineries granted permits will be announced on the Ministry’s website. As of 22 August 2024, Ahlatcı Metal Rafineri A.Ş. and Garanti Rafineri ve Maden İşletmeleri A.Ş. have been granted permits for refining gold. Legal entities that have not applied by this date will not be permitted to continue their refining activities.

January-August 2024 Export Data Released

In August 2024, significant changes were observed in Türkiye’s overall export performance compared to the same period last year. According to data released by the Ministry of Trade, 23 provinces across Türkiye achieved exports exceeding USD 1 billion during the

January-August 2024 period. Despite a 6.4% decrease, Istanbul remained the leader with USD 4.782 billion in exports. Kocaeli, experiencing a 20.3% increase, ranked second with USD 2.833 billion. İzmir, with a 9.5% decline, secured third place with USD 1.909 billion, while Bursa, with an 11.8% drop, fell to fourth place with USD 1.292 billion. Tekirdağ saw a 2.1% increase, reaching USD 1.165 billion in exports.

In terms of export growth, Kocaeli led with an increase of USD 477 million, followed by Çorum with a USD 449 million rise. Ankara ranked third with an increase of USD 108 million, Hatay fourth with USD 104 million, and Eskişehir fifth with a USD 78 million increase.

Istanbul Financial Center Launches Foreign Currency Bookkeeping

In June 2022, the Istanbul Financial Center (“**IFC**”) was established, granting the Ministry of Treasury and Finance the authority to regulate the use of foreign currencies for maintaining books and documents by participants in the IFC. As a result, starting from the 2025 accounting period, participants operating within the IFC and eligible for tax deductions or exemptions will be permitted to maintain their records in any foreign currency recognized by the the Central Bank of the Republic of Türkiye. Those who have not yet obtained a participant certificate can take advantage of this provision by securing their certificate by 31 December 2024.

Eligible participants include not only companies engaged in activities qualifying for tax exemptions and deductions but also those with foreign capital and regional management centers. To benefit from this facility, participants must meet certain conditions, including having at least 30% of their capital structure composed of offshore investors and generating a portion of their income within the IFC. Additionally, once participants choose to use this facility, they must remain in the selected foreign currency for a minimum of three accounting periods and are obligated to declare their financial statements in Turkish Lira (TRY).

Fintech Sector

Central Bank Extends Deadline for Digital Wallet Licenses and BKM API Gateway Integration

The Central Bank of the Republic of Türkiye has extended the transition period for digital wallet licenses and open banking practices by an additional six months. The deadline for payment institutions and electronic money institutions to obtain the required operating license for digital wallet services—first introduced in legislation in October 2023—has been pushed back to 7 April 2025. Furthermore, the deadline for payment service providers with payment accounts to integrate with the BKM API Gateway, which facilitates the online provision of consolidated financial data and the initiation of payment orders, has been deferred to 31 March 2025.

Türkiye Fintech Overview – July 2024

Türkiye Fintech Overview, first published in November 2021 and coordinated by the Presidential Finance Office, aims to establish an up-to-date and categorized data set that reflects the current state of the sector and its evolution over previous years. As of July 2024, a total of USD 182 million has been invested in 14 fintech companies. The Turkish fintech ecosystem comprises 707 active companies, with notable strengths on payments, banking technologies, blockchain, and crypto asset sectors.

Regional Administrative Court Rejects CBRT’s License Revocation

The Ankara Regional Administrative Court has overturned the Central Bank of the Republic of Türkiye’s decision to revoke the operating license of IQ Money Ödeme Hizmetleri ve Elektronik Para A.Ş., allowing the company to continue its operations as an electronic money institution.

Türkiye Financial Sector Payment Systems Report – September 2024

As of June 2024, there has been a significant increase in FAST transactions, with the annual transaction volume rising by 43% compared to the previous year, reaching 4.8 billion transactions. During the same period, a decline was observed in EFT, EMKT, and POS transaction volumes, although a total transaction value of approximately TRY 548 trillion was recorded across all systems. Card transactions, as well as the use of mobile and internet banking, continued to grow, with the ratio of mobile banking transactions to GDP rising to 57%. Notably, FAST and QR code payments stood out with high growth rates.

Capital Markets

A New Era in Financing Venture Capital Investments

The Capital Markets Board ("**CMB**") has rolled out anticipated changes regarding venture capital investment funds ("**VCIFs**") with the communiqué dated 21 September 2024, allowing them to invest in (i) offshore venture companies with the majority of their investments in Türkiye; (ii) companies not yet established through Simple Agreement for Future Equity (SAFE) and similar agreements granting future shareholder rights; (iii) companies whose previous investment rounds have closed, and to accelerate the fund incorporation process by permitting the issuance of participation shares under a single prospectus within an umbrella fund structure. The changes that stand out are as follows:

- **Investments Abroad:** In order for VCIFs to invest in venture capital firms abroad, 80% of the company's assets must be located in Turkey; this ratio is reduced to 51%. The obligation to invest only in joint stock companies is also removed, paving the way for VCIFs to invest in limited liability companies abroad. Additionally, the maximum investment ratio for investments in unlisted companies with development potential is increased from 10% to 15% of the total value of the fund, but such investments will not be considered as venture capital investments. However, the stated 15% rate will be applied differently according to the ownership rate of the fund's outstanding participation shares by non-resident real persons or legal entities, in which case such investments will be considered as venture capital investments. The 15% rate will be applied for non-residents holding outstanding units of the fund (i) between 20% and 30% as 30%, (ii) between 30% and 50% as 50%, (iii) between 50% and 80% as 80%, and (iv) 80% or more as 100%. If it is certified that the amount collected against fund participation shares is sourced from abroad, the specified rates will be applied.

- **Agreements Granting the Right to Become a Shareholder in the Future:** An important innovation for venture capital investments was the acceptance of SAFE agreements as investment instruments. These agreements allow venture capital investment funds to make investments in companies that have not yet been established or are in the development stage, which gives them the right to become a shareholder in the future, and is a typical agreement that is quite common in the entrepreneurship ecosystem abroad. Their application in Türkiye is eagerly awaited.

- **Fund Basket Structure and VCIFs Investments:** A limitation was stipulated that titles that do not include the phrase "fund basket" can invest in units of other VCIFs up to a maximum of 25% of their total fund value, thus limiting VCIF investment units of other VCIFs. Fund basket funds, on the other hand, are obliged to invest at least 80% of their total value in VCIFs whose issuance documents for the sale of fund units are approved by the CMB. The deadline for these portfolio restrictions is 31 December 2025.

- **Real Estate and Contracting Investments:** Real estate-oriented companies or companies whose main activity is contracting will not be considered as venture companies, but structures such as technology development zones, incubation centers, and R&D centers can be considered within the scope of the exemption if the Ministry of Industry and Technology obtains the appropriate opinion.

- **Additional Portfolio Limitations:** VCIFs can invest in unlisted shares of publicly-traded venture capital companies at a maximum of 20% of their total fund value, and the deadline for these portfolio limitations has been set as 31 December 2025. Investments cannot exceed 20% of the fund's total value in companies in which investors hold fund units and have management control. Although no compliance process is foreseen for VCIFs that do not comply with this limitation as of 21 September 2024, investments to be made after this date will be required to comply.

- **Obligation of Fund Issuance Agreement:** Another significant development is the introduction of the fund issuance agreement (*fon ihraç sözleşmesi*) obligation, initially established for real estate investment funds in July, now also applicable to VCIFs. Under this requirement, a fund issuance agreement must be signed with investors prior to selling fund units to qualified investors, although purchases made through the stock exchange are exempt from this obligation. Fund issuance agreements should not contain provisions that undermine investor rights, include unilateral extraordinary rights in favor of the founder, or place the burden of proof on the investor. They should use clear and understandable language and should not contain provisions contrary to the communiqué, bylaws or issuance document. The deadline to sign fund issuance agreements to include the specified elements is set as 30 June 2025.

- **Shortening the Minimum Resource Commitment Period:** For VCIFs whose issuance documents are to be approved after 21 September 21, 2024, the minimum period for collecting the minimum resource commitment is reduced from two years to one year.

- **Changes Regarding Valuation Reports:** The amount limits used in the valuation of venture capital investments have been updated and amendments have been made regarding the obligations to prepare a valuation report.

- **Compliance Period and Liquidation Processes:** Funds that fail to adhere to these investment restrictions may request a maximum of one year additional time to comply with the CMB's permission, but if compliance is not achieved even in this case, the funds must apply to the CMB to initiate the liquidation process. Upon receiving permission, the fund's bylaws must then be de-registered from the trade registry.

Establishment Conditions Determined for Crypto Asset Platforms

The Capital Markets Board ("**CMB**") has detailed principles and procedures for the establishment, qualifications of managers and shareholders, transition period, and compliance measures for crypto asset platforms ("**Platform**"), as outlined in recent legislative developments with its Principle Decision numbered i-SPK.35.B, dated 8 August 2024 (42/1259 s.k.) ("**Principle Decision**"). In undertaking this initiative, the CMB has carried out a comprehensive analysis of the fundamental structures within the sector to create a sector profile. Based on this analysis, the CMB has defined specific criteria aimed at facilitating the establishment of platforms that possess a reliable corporate structure, are capable of investing in IT infrastructure, have the financial resources to mitigate associated risks, and to prevent inadequate ones from causing negative impacts in the sector.

The key issues outlined in the Principle Decision can be summarized as follows:

- Platforms are required to be established as joint stock partnerships, with all shares registered and issued in exchange for cash. The minimum capital requirement is TRY 50 million, which must be fully paid in cash, ensuring that shareholders' equity is not less than such amount. The term "crypto asset trading platform" must be included in their trade name, and the articles of association should align with the activities conducted. Furthermore, the board of directors must consist of at least three members. Founders and managers of the platforms must comply with specific financial and ethical standards.
- Founders, shareholders possessing 10% or more of the capital or voting rights, and shareholders holding privileged shares with representation rights on the board of directors, regardless of the percentage, must not only fulfill financial obligations but also must not have been convicted of crimes outlined in the Capital Markets Law ("**CML**"). Additionally, they must not be declared bankrupt, must not hold shares in institutions listed in the CML that have had their operating licenses revoked (except in cases of voluntary liquidation), and must not have been convicted of certain disgraceful offenses. In the event of the loss of any of these qualifications, the transfer of shares must occur within six months. Additionally, the shareholders of legal entity founders of the platforms should meet the criteria mentioned above. Moreover, the CMB obliges managers to meet other specified criteria, except for financial qualifications.
- Platforms are required to submit their articles of association, documentation verifying that founders and managers fulfill the aforementioned qualifications, as well as supporting documents and forms annexing the Principle Decision, to the CMB. It is also noted that platforms granted authorization certificates must subsequently apply for an operating license.
- Platforms that have been functioning as crypto asset service providers since the amendments to the CML came into effect and wish to continue operations must apply to the CMB by 2 August 2024, as announced, to be included in the "List of Operating Platforms" on the CMB's website. The platforms added to this list will subsequently apply for an operating license once the necessary regulations are established. According to the Principle Decision, companies seeking inclusion in this list may reapply after addressing any deficiencies and ensuring compliance with the conditions outlined. Additionally, companies listed as "Operating Companies" are required to apply to the CMB by 8 November 2024, while meeting the conditions outlined in the Principle Decision, and may continue their operations until the CMB's additional regulations regarding operating conditions are finalized.

The Capital Markets Bulletin No. 2024/38, which includes the announcement and the necessary forms for inclusion in the application, can be accessed here.

CMB Issues Second Decision on Crypto Platforms

The Capital Market Law Amendments and Principle Decision on Crypto Assets[4] pertains to regulations in the cryptocurrency sector. This decision particularly addresses aspects such as the operational licenses for platforms, the protection of investor assets, the transparency of transaction processes, and collaboration with regulatory authorities.

[4] Published in the Capital Markets Board Weekly Bulletin, dated 19 September 2024.

Key obligations included in the decision are:

- **Protection of Investor Assets**: Crypto asset platforms are required to maintain user assets in separate accounts and take specific measures to prevent these assets from being used for other purposes.
- **Transparency Requirement**: Platforms must provide clear and transparent information to users regarding transaction fees, trading activities, and potential risks.
- **Reporting and Audit**: Regular reporting and independent audits are mandated for platforms, allowing for a more effective oversight process by the CMB.

The overarching aim of the decision is to ensure the secure and transparent operation of crypto assets while implementing protective measures for investors. This includes defining crypto assets, placing them under regulatory oversight, and establishing the obligations of service providers. These regulations are designed to minimize risks in the crypto asset ecosystem and prevent investor harm.

For more detailed information, the relevant bulletin can be accessed here.

TÜBİTAK Takes on Technical Consultancy Role for Crypto Assets

The recent amendment to the law concerning crypto assets grants the Capital Markets Board of Türkiye ("**CMB**") the authority to make decisions and establish regulations pertaining to various aspects of crypto assets and related platforms. Additionally, the Scientific and Technological Research Council of Türkiye ("**TÜBİTAK**") will serve in a technical advisory capacity. Leveraging its expertise in blockchain technology and crypto assets, TÜBİTAK will be instrumental in defining technical criteria for license applications, auditing platforms, providing expert opinions, and preparing technical reports for projects, all in accordance with CMB's directives. Furthermore, to promote the growth of the cryptocurrency ecosystem in compliance with legal regulations, it is planned to allocate financial resources and payments to TÜBİTAK for the advancement of blockchain technology. It is anticipated that, starting in 2025 and based on the revenues of 2024, 1% of the revenues generated by crypto asset platforms, excluding interest will be allocated to TÜBİTAK.

Crypto Asset Service Applicants Revealed

In accordance with Provisional Article 11 added to Capital Markets Law No. 6362 under the new crypto regulations, the deadline for those providing crypto asset services to submit a written declaration to The Capital Markets Board of Türkiye ("**CMB**") has expired. This declaration was necessary for these institutions to continue operating during the grace period or to initiate liquidation if they chose not to proceed with their activities. The CMB has reported that 76 institutions are currently operating on a temporary basis, while 8 institutions have submitted declarations to proceed with liquidation.

Additionally, according to the resolution dated August 23, 2024, published in CMB Bulletin No. 2024/42, the CMB announced the removal of 32 institutions from the application process and stated that the applications of another 32 institutions were not processed at all. The CMB mandated that the listed platforms cease operations, refrain from accepting new customers, and notify their existing clients of this resolution within 5 business days. Furthermore, it was determined that cash and/or crypto asset transfers related to customer requests would be executed without the 5-day limitation.

How Have Capital Markets Been Since 2023?

The Capital Markets Board ("**CMB**") released its 2023 Activity Report on 5 July 2024, revealing that 54 companies—comprising 19 in manufacturing, nine in energy, nine in REITs, four in finance, three in agriculture, and 10 in other sectors—raised TRY 79.3 billion through public offerings. Meanwhile, the portfolio size of institutional investors surged from TRY 1.5 trillion to TRY 2.9 trillion, and the total assets under asset management companies increased from TRY 1.6 trillion to TRY 3.2 trillion. Additionally, administrative fines totaling TRY 244.882 million were imposed on individuals and entities in 2023. In response to high interest rates, companies seeking loans turned to the stock exchange, with 166 companies accessing TRY 164.4 billion in financing through primary public offerings over the last three years. During this same period, capital increases via rights issues and secondary public offerings amounted to TRY 145.1 billion.

The CMB announced on 19 July 2024 that it approved debt instrument issuances for 12 companies and sanctioned a free capital increase for one company. For example, Zorlu Enerji received permission to issue debt instruments totaling TRY 3.5 billion, while Gelecek Varlık Yönetimi secured approval for TRY 4.5 billion in debt issuance.

CMB Implements Principle Decision on Capital Adequacy for Securities Houses

In its bulletin published 11 July 2024, the Capital Markets Board implemented Principle Decision No. i-SPK.43.2 concerning Communiqué No. 34 on Principles Regarding Capital and Capital Adequacy of Brokerage Firms, outlining principles for temporarily suspending the activities of intermediary institutions that do not meet capital adequacy and equity requirements. It also details the fulfillment of these obligations through methods such as letters of guarantee or cash blocking.

MASAK's Latest Push in the Crypto Ecosystem

The Financial Crimes Investigation Board has revised the Suspicious Transaction Reporting Guidelines for Crypto Asset Service Providers, based on feedback from industry representatives and a national risk assessment. The updated guidelines feature a suspicious transaction reporting form tailored to the transaction dynamics of crypto assets, aligning with sector practices and financial technologies. Additionally, crime typologies have been updated, and new categories of suspicion have been incorporated.

CMB Extends Deadline for Financials

The Capital Markets Board announced on 8 August 2024 that it extended a decision issued 7 March 2024, which initially required issuers and capital market institutions to adopt inflation accounting under "Turkish Accounting Standard 29 Financial Reporting in Hyperinflationary Economies" (TMS 29) for financial statements ending 31 December 2023. This extension now covers all interim periods of 2024 and the annual financial statements due on 31 December 2024. Under this extension, issuers may provide limited disclosure of financial data not adjusted for inflation and, where necessary, make announcements via the Public Disclosure Platform.

CMB Releases Two Draft Guidelines on Green/Sustainable Finance

In its announcement dated 6 September 2024, the Capital Markets Board announced two draft guidelines on green and sustainable finance for sector feedback. These drafts (*only available in Turkish*) include Guidelines for Green, Sustainable, and Social Capital Market Instruments, as well as Guidelines for Sustainability-Linked Capital Market Instruments.

A New Era in Equity Repo Transactions at Borsa Istanbul

Borsa Istanbul announced its decision to amend Article 9.4.1 of the Debt Securities Market Procedure on 4 July 2024. This amendment allows shares involved in repo transactions within the equity repo market, delivered to the Turkish central clearinghouse Takasbank to fulfill settlement obligations, will no longer be transferred to to the reverse repo member but will instead be held in a blocked account on behalf of that member. The related announcement can be accessed here (*only available in Turkish*).

Updated Order Sizes in the Outright Trading Market

Borsa Istanbul has amended Article 9.1.3 of the Debt Securities Market Procedure, which governs the validity and size of orders in the outright trading market. The related announcement can be accessed here (*only available in Turkish*).

Swap Market Trading Hours Revised

Borsa Istanbul has revised Article 7.2 of the Swap Market Procedure, which regulates trading hours. The related announcement can be accessed here (*only available in Turkish*).

CMB Introduces New Issuance Certificate Format

On 5 August 2024, the Capital Markets Board announced an update of the issuance certificate format for capital market instruments that do not confer shareholding rights, intended for issuance without public offering in Türkiye or abroad. The update introduces a new format for issuance certificates to be submitted for international issuances, allowing for greater detail on the types of debt instruments to be issued abroad. The related announcement can be accessed here (*only available in Turkish*).

Updated Crowdfunding Escrow Officer Procedure

The update to the Crowdfunding Custodian Procedure improves the security and transparency of crowdfunding platforms' operations. This update introduces several innovations, particularly in payment processes. One key change integrates a virtual POS system, allowing investors to make payments to campaigns using credit or debit cards. This aims to help investors complete their payments quickly and securely. The procedure also clarifies how funds remain blocked in Takasbank during the campaign and how entrepreneurs receive the funds after a successful campaign. If the campaign fails, the platform will refund the funds to the investors. This update aims to make crowdfunding processes more reliable and widespread.

CMB's Principle Decision on Initial Public Offering of Shares

The Capital Markets Board's Principle Decision on Sales Methods and Distribution Principles to be Applied in Initial Public Offerings ("**IPO**") regulates the rules for IPOs. According to this decision, for companies with a market value of up to TRY 750 million, the sales method through the stock exchange is mandatory. For IPOs exceeding TRY 750 million, if the sale is conducted through book-building outside the stock exchange, an equal distribution to retail investors is required.

Additionally, in the distribution to institutional investors, half of the shares allocated must be reserved for investment funds, provided there is demand. Individuals with access to inside information in the IPO cannot participate in allocations outside the designated groups. If there is insufficient demand from any group at the end of the book-building process, the unallocated shares may be reallocated to other investor groups.

Share Sale Information Form Format Updated

With the amendment to the Share Communiqué, applications for sale on the stock exchange or conversion to publicly-traded status made using the share sale information form are now limited to a one-year period. Additionally, in the event of a change in the company's issued/paid-in capital, it is now mandatory to apply to the Board for an update to the form.

Changes Announced to Blocking Practices in the Stock Repo Market

Significant changes have been made regarding the blocking of securities during the maturity period in the Stock Repo Market. In this context, a "Repo Block" sub-account has been introduced for equity repo transactions, whereby the shares received as collateral in repo transactions are blocked for the duration of the maturity. This applies to securities for which Takasbank provides central counterparty (CCP) services. Additionally, for Turkish lira-denominated securities, it is foreseen that receivables in the form of shares subject to the stock repo market will be transferred to the Repo Block sub-accounts opened with the Central Registry Agency ("**CRA**") on the first settlement day of the transaction. For client and portfolio transactions, the RPTAH account will be used, while for collective investment institution transactions, the Pay Repo Block sub-accounts opened with Takasbank will be utilized. On the second settlement day, these receivables will be transferred to the SERB sub-accounts held at CRA for clients, portfolios, or collective investment institutions.

December 2023 Financial Data for Brokerage Firms and Portfolio Management Companies Released

The financial statements for brokerage firms and portfolio management companies for 2023 have been published. As inflation accounting has become mandatory for capital market institutions, the data is presented both with and without inflation adjustments. According to the unadjusted data, the net profit of brokerage firms surged by 144%, reaching TRY 35.4 billion, while in post-inflation adjustment, the net profit rose by 96.5%, amounting to TRY 17 billion. For portfolio management companies, net profit increased by 142% in the unadjusted data, and by 58% following the inflation adjustments.

Banks and Other Financial Institutions

CBRT Initiative to Support Turkish Lira Deposits: Support for YUVAM Accounts Decreases

The Central Bank of the Republic of Türkiye (“**CBRT**”) has made several changes to the ‘Deposit and Participation Scheme for Non-Resident Turkish Citizens (“**YUVAM**”) aimed at facilitating a smoother transition to Turkish lira deposits. Specifically, the CBRT has reduced the interest rate lower limit for YUVAM accounts from 80% of the policy rate to 70%. Furthermore, the additional return rates have been decreased by two percentage points, establishing new rates of 1%, 2%, 3%, and 4% for account maturities of three, six, 12, and 24 months, respectively. It is important to note that YUVAM accounts may only be opened upon presentation of documentation verifying that funds have been transferred from abroad or received in foreign currency. Additionally, the CBRT will cease to pay commission to banks for YUVAM accounts.

Amendment to the Operating Structure of the Association of Financial Institutions

Statute of the Association of Financial Institutions has been amended by Presidential decree. This decision introduces new regulations concerning the purpose of the association, representation powers, voting rights, the election of the board of directors, and cost-sharing mechanisms. Notably, the amendments ensure that each member company will have equal voting rights during the general assembly, that decisions will be made by majority vote, and that the board of directors will be elected on a sectoral basis. Furthermore, in the event of a tie during board decisions, the chairman’s vote will serve as the decisive factor. Additionally, temporary provisions regarding the chairmanship of the board of directors and the inclusion of new sectors have been repealed.

Current State of Developments Regarding Reserve Requirements

The Central Bank of the Republic of Türkiye (“**CBRT**”) amended its loan growth-based reserve requirement policy on 20 July 2024, lowering the monthly growth limit for foreign currency loans from 2% to 1.5%, while keeping the 2% limit for Turkish lira loans unchanged. Additionally, the CBRT exempted investment loans funded by international development finance institutions from these loan growth limits.

To support the monetary transmission mechanism, the CBRT introduced the following changes to the reserve requirement practice on 29 August 2024:

- The monthly growth target has been increased to 0.8 points for banks with real person TRY deposit shares between 45% and 50%
- The monthly growth target is abolished for banks with real person TRY deposit shares exceeding 60%, and a condition has been introduced to keep this share above 60%.
- Legal person KKM accounts will henceforth be included in the calculation of the total target for KKM accounts’ transition to TRY and renewals.
- The upper limit for the remuneration of required reserves, which should be maintained for TRY deposits, based on the rate of transition to TRY, has been increased to 84% of the policy rate.
- The ratio for maintaining TRY required reserves in blocked accounts has been increased by five points.

The CBRT adjusted reserve requirement ratios on 21 September 2024, raising the short-term TRY deposit rate from 12% to 15% and the long-term TRY deposit rate from 8% to 10%. Concurrently, it reduced the maintenance of TRY for FX deposit from 8% to 5%, while increasing the maximum commission rate tied to the conversion rate to TRY from 5% to 8%.

Countdown to Inflation Accounting for Financial Institutions

As announced in our first quarterly, the Banking Regulation and Supervision Agency (“**BRSA**”) decided on 11 January 2024 that banks, as well as financial leasing, factoring, financing, savings finance, and asset management companies, will implement inflation accounting starting 1 January 2025. BRSA released draft legislation on 20 August 2024 outlining the adjustment of paid-in capital for inflation and ensuring that these adjustments are accurately reflected in capital structures and financial statements of banks and non-bank financial institutions. These drafts (*only available in Turkish)* include the Regulation Amending the Regulation on Own Funds of Banks, Communiqué Amending the Communiqué on Financial Statements to be Disclosed by Banks and Explanations and Footnotes Thereof, and the Regulation Amending the Regulation Governing the Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing, and Saving Financing Companies.

Amendment to the Founding Agreement of the European Bank for Reconstruction and Development (EBRD)

Türkiye approved amendments to the Founding Agreement of the European Bank for Reconstruction and Development ("**the Bank**") on 28 July 2024. One of the key changes is the gradual expansion of the Bank's geographical scope to include Sub-Saharan Africa and Iraq. Another significant change removes the legal capital limit for regular operations, granting the Board of Directors the authority to set and maintain appropriate limits related to capital adequacy metrics.

BRSA Grants Türkiye's First BaaS Licenses

GetirFinans and Fibabanka have secured the necessary approvals from the Banking Regulation and Supervision Agency to initiate service model banking activities (Banking-as-a-Service/BaaS).

BRSA Publishes Findings from the Sustainable Banking Questionnaire

The Banking Regulation and Supervision Agency ("**BRSA**") commenced gathering findings from the Sustainable Banking Questionnaire in 2023. In August 2024, the BRSA published the findings on its official website. The questionnaire was directed at 54 banks operating in Türkiye, excluding the banks controlled by Savings Deposit Insurance Fund ("**SDIF**") and Istanbul Settlement and Custody Bank, and encompassed 167 questions related to environmental and sustainability strategies.

The key highlights of the report are as follows:

- Among the 54 banks in the sector, 16 have directly or indirectly referenced environmental and social sustainability within their mission and vision statements, while 28 banks have indicated that they possess a written strategy in this area. Furthermore, 16 banks express their commitment to supporting the United Nations Sustainable Development Goals.
- The sustainability efforts of banks are supported by internal organizational initiatives. In this regard, 29 banks have established committees or working groups focused on environmental and social sustainability, whereas 23 banks have operational units that are responsible for these initiatives.
- Regarding climate risks, 16 banks have acknowledged the identification and monitoring of sectors that include concentrated climate risks within their loan portfolios. The sectors with the most significant physical risks include agriculture, animal husbandry, renewable energy, forestry, tourism, and transportation. In contrast, the sectors characterized by the highest concentration of transition risks encompass non-renewable energy, metal, construction, cement, mining, and transportation/storage.
- Currently, 19 banks are conducting Environmental and Social Risk Analysis ("**ESRA**"). A considerable number of these institutions implement specialized measures and procedures for financing requests that are categorized as high and medium risk. Such measures may include soliciting additional information and documentation from clients, engaging independent consultants, developing environmental and social action plans to be incorporated into loan agreements, conducting site visits, and preparing periodic monitoring reports. By the end of 2022, a total of TRY 564 billion in loans had undergone the ESRA process, representing 7.4% of the total loan portfolio in the banking sector.
- As of 2023, the proportion of female employees within the Turkish banking sector is 48%, with several banks reporting a female employee ratio between 50% and 59%. However, the representation of women in managerial positions remains at only 20%.
- In terms of social responsibility initiatives, banks are actively investing in projects aimed at supporting entrepreneurial women, promoting accessible banking, and enhancing education. According to statements from 22 banks engaged in these efforts, a cumulative investment of TRY 217.1 billion has been made in these projects over the past five years.
- In the Turkish banking sector, 28 banks are in compliance with international principles and initiatives pertaining to sustainability, which collectively represent 93% of the sector's total asset size. Notably, one of the most prominent platforms is the Carbon Transparency Initiative, which includes participation from 15 banks, accounting for 85% of total assets.
- It is important to note that the banks within this sector are not direct members of the Green Bond Principles platform, which operates under the International Capital Market Association ("**ICMA**"). This platform includes nearly 400 financial institutions globally, excluding their primary international partners. This observation is particularly noteworthy as the guidance issued by the CMB regarding green and sustainable bonds aligns with the ICMA principles, widely regarded as key reference sources for green financing, amidst the increasing issuance of such capital market instruments.
- As of the end of 2022, 11 banks operating in Türkiye reported total borrowings of USD 5.3 billion to finance sustainability initiatives, reflecting a remarkable 200% increase compared to 2021. Notable lenders in this area include the European Bank for

Reconstruction and Development (EBRD), the Japan Bank for International Cooperation (JBIC), and the International Finance Corporation (IFC).

- In 2022, the overall volume of commercial and corporate loans allocated for sustainability in the Turkish banking sector reached TRY 494 billion. The majority of these funds were directed towards renewable energy projects (56%) and women's entrepreneurship initiatives (13%). During the same period, non-cash loans for sustainability amounted to TRY 108 billion, predominantly supporting renewable energy (51%) and women's entrepreneurship (22%) projects.
- From 2017 to 2022, the proportion of sustainability-targeted debt instruments within the total securities issued rose significantly from 5% to 36%. This increase can be attributed to a rise in the quantity, diversity, and value of the instruments issued, alongside a reduction in the foreign currency-denominated portion of total securities over the five-year timeframe. Additionally, by the end of 2022, Türkiye Garanti Bankası A.Ş. and Akbank T.A.Ş. successfully raised a total of USD 95 million through social bond issuances, collectively representing a 16% share of the sector.

It is important to highlight that the BRSA has identified challenges faced by banks in categorizing their financing as "sustainable" or "green." This difficulty arises from the absence of a nationally-recognized sustainability taxonomy in Türkiye, which hinders objective, reliable, and comparable labeling. In response to this situation, various public authorities are actively working to accelerate advancements in this area.

Key existing and draft regulations, which banks and borrowers in the sector will need to comply with, include the Draft Climate Law currently being developed by the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye, along with its associated initiatives such as the green taxonomy, green transformation certificates in industry, and the carbon trading system. Additionally, the BRSA has released a communiqué and draft guidelines regarding the green asset ratio and the management of climate risks. Furthermore, the sustainability reporting standards issued by the Public Oversight, Accounting and Auditing Standards Authority will also play a significant role in this context.

Regulators Collaborate for Green Finance Initiatives

Many countries around the world have initiated taxonomy projects aimed at promoting environmental sustainability. These classification systems are designed to facilitate green financing by categorizing environmentally-sensitive investments for companies, financial institutions, and investors.

Türkiye has made significant progress in this regard, setting the objective of developing a national green taxonomy as part of the 2024-2028 Development Plan and the 2025-2027 Medium Term Program. This taxonomy will align with European Union standards while being customized to address Türkiye's unique requirements. The Türkiye Green Deal Action Plan, published in 2021, strives to expedite the transition to a low-carbon economy.

Furthermore, the Banking Regulation and Supervision Agency ("**BRSA**") has formulated a draft "Green Asset Ratio Communiqué", which seeks to evaluate the green investments of banks. This draft is based on the European Union Taxonomy framework and will be revised once Türkiye establishes its national taxonomy. The Communiqué is intended to motivate banks to enhance their green investments and direct resources toward sustainable projects.

In terms of the anticipated national green taxonomy, Türkiye's Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye took a significant step on 24 September 2024, by preparing and submitting the Draft Regulation on Türkiye's Green Taxonomy ("**Draft Regulation**") for consultation.

The Draft Regulation establishes criteria for economic activities that contribute to environmental objectives, such as reducing greenhouse gas emissions, sustainably utilizing water resources, and protecting biodiversity. It defines "sustainable economic activity" for businesses that significantly contribute to at least one environmental objective without adversely affecting others, comply with minimum social standards, and meet specified technical criteria. Additionally, it introduces reporting obligations designed to enhance transparency for investors. Effective 1January 2027, these reporting obligations will empower all stakeholders to monitor the environmental performance of relevant companies.

New Capital Adequacy Rules

The Banking Regulation and Supervision Agency ("**BRSA**") has implemented a significant change in the capital adequacy calculations for banks. The BRSA has ceased the application of more cautious risk weights on general purpose loans, personal credit cards, vehicle loans, and vehicle-secured loans for the purchase of passenger cars, as well as for financial leasing transactions. Additionally, this adjustment affects loans secured by residential real estate mortgages extended to consumers for purchasing a house, provided that the consumer owns at least one property in their name, including those owned by their spouse or children under the age of 18. This initiative is part of macroprudential measures aimed at ensuring confidence and stability in financial markets and promoting the effective functioning of the credit system.

According to a statement from the BRSA, higher risk weights were previously applied to vehicle loans for passenger cars, personal credit cards, and housing loans secured by real estate mortgages as per the decisions made on 31 July and 24 August 2023. These measures were designed to manage domestic demand and regulate credit supply. However, with the recent regulation, this approach has been revoked, restoring the previous risk weights that align with international minimum standards. As a result of this decision, banks will now utilize lower risk weights in their capital adequacy calculations, with the objective of enhancing credit supply and reducing the cost of credit available to consumers.

Banks Association of Türkiye Releases June 2024 Report on the Banking Sector

The June 2024 report by the Banks Association of Türkiye details significant developments in the banking sector. According to the report, the sector's total assets have reached TRY 28.056 trillion, with loans rising to TRY 13.852 trillion. During the same period, total deposits amounted to TRY 16.466 trillion, and the capital adequacy ratio was recorded at 17.1%. Equity profitability increased to 35%, and liquidity management across the sector remains on solid footing. Additionally, the non-performing loan (NPL) ratio held steady at 1.6%, indicating the sector's continued overall health.

Cooperation Agreement Between the Central Bank of the Republic of Türkiye and the Saudi Central Bank

The Central Bank of the Republic of Türkiye and the Saudi Central Bank signed a Memorandum of Understanding on 3 September 2024 aimed at enhancing cooperation in the field of central banking. This Memorandum of Understanding aims to strengthen collaboration between the two central banks and institutionalize technical work in the field of central banking.

Monetary Policy Committee September 2024: Interest Rates Unchanged, Inflation Risks Monitored

At the September 2024 Monetary Policy Committee meeting, the policy interest rate was kept steady at 50%. The meeting emphasized that no significant changes were observed in the core inflation trends for August, and that the slowdown in domestic demand helped alleviate inflationary pressures. While core goods inflation remained low with a modest increase, the committee noted that improvements in service inflation are expected in the final quarter of the year. The Committee assessed that inflation expectations and pricing behaviors continue to pose risks to the disinflation process. In this context, it was reiterated that the tight monetary policy will be maintained until a lasting decline in the underlying inflation trend is achieved.

Financial Services Confidence Index – September 2024

The Central Bank of the Republic of Türkiye has announced the Financial Services Confidence Index for September 2024 at 157.8, marking a 1-point increase compared to the previous month. Despite a declining trend in business conditions and demand over the past three months, expectations for demand in the upcoming three months positively impacted the index. While a short-term increase in employment was observed, the outlook for further employment growth in the coming period has weakened. When examining the sub-sectors, a notable rise in confidence was seen particularly in auxiliary activities.

Insurance

Amendments to Capital Adequacy Requirements for Insurance, Reinsurance, and Pension Companies

Recent amendments to the Regulation on Measuring and Evaluating Capital Adequacy of Insurance, Reinsurance, and Pension Companies have updated the methods for calculating capital adequacy and certain risk factors. Notably, significant changes occurred in Article 8 of the regulation dated 23 August 2015. These changes include updates to subparagraphs (f) and (j) of the second paragraph, as well as the removal of subparagraphs (n) and (o).

With these modifications, some items used in the calculation of active risk have been reorganized, and the criteria for calculating financial assets related to insurance, reinsurance, and pension companies have changed. The calculation process for active risk now includes securities held, investments in associates, subsidiaries, and joint ventures. However, insurance, reinsurance, and pension companies in this group have been excluded.

Risk Weights: New coefficients for associated securities, investments, subsidiaries, and investment properties are as follows:

- For the first 20%: 0.15
- Between 20% and 40%: 0.30
- For amounts exceeding 40%: 0.60

Additionally, these coefficients will be applied based on the asset adequacy of the companies. The item "Receivables and inventories from reinsurance activities" has been changed to "Receivables and inventories from reinsurance activities that are not due," with a new coefficient set at 0.15. These regulations will come into effect on 31 December 2024.

Operating Permit and License Developments for Q3 2024

Capital Markets Board Bulletin:

Developments		
Company Name	**Development**	**Date**
N Capital Girişim Sermayesi Yatırım Ortaklığı AŞ	Permission granted to establish a venture capital investment trust with an initial capital of TRY 100,000,000, within the registered capital ceiling of TRY 500,000,000.	04/07/2024
Kuveyt Türk Yatırım Menkul Değerler Anonim Şirketi	Permission granted to provide transaction brokerage, portfolio brokerage, investment advisory, public offering brokerage, limited custody, and general custody services.	11/07/2024
Q Yatırım Bankası Anonim Şirketi	Permission granted to provide transaction brokerage, portfolio brokerage, investment advisory, public offering brokerage, limited custody, and general custody services.	11/07/2024
Eliptik Yatırım Menkul Değerler Anonim Şirketi	Permission granted to public offering brokerage activity.	19/07/2024
Titanyum Bağımsız Denetim Hizmetleri Anonim Şirketi	Included in the list of institutions authorized for independent audit in the capital markets.	15/08/2024
Destek Menkul Değerler Anonim Şirketi	Permission granted provide transaction brokerage, portfolio brokerage, investment advisory, and limited custody services	28/08/2024
PKF Aday Bağımsız Denetim Anonim Şirketi	Included in the CMB's list of “Institutions Authorized to Value Assets Other than Real Estate”.	12/09/2024
Aksis Uluslararası Bağımsız Denetim Anonim Şirketi	Included in the CMB's list of “Institutions Authorized to Value Assets Other than Real Estate”.	19/09/2024
Startupcentrum Kitle Fonlama Platformu Anonim Şirketi	Included in the list of platforms authorized by the CMB to engage in equity-based crowdfunding activities.	19/09/2024

Banking Regulation and Supervision Agency:

Developments		
Company Name	**Development**	**Date**
Pratik Finansman Anonim Şirketi	Permission granted to operate as a financing company.	10.07.2024
Tuna Faktoring Anonim Şirketi	Permission revoked to operate as a factoring company.	10.07.2024
VFS Finansal Kiralama Anonim Şirketi	Financial leasing activity permit revoked.	11.07.2024
Enpara Bank Anonim Şirketi	Permission granted to operate as a bank.	23.08.2024
GSD Varlık Yönetim Anonim Şirketi	Permission granted to operate as an asset management company.	11.09.2024

Pratik İşlem Ödeme ve Elektronik Para Anonim Şirketi	Permission granted to operate as an organization that makes agreements with member merchants.	12/09/2024

Central Bank of the Republic of Türkiye:

Developments		
Company Name	**Development**	**Date**
IQ Money Ödeme Hizmetleri ve Elektronik Para Anonim Şirketi	Permission revoked to operate as an electronic money institution. Permission continues to operate as an electronic money institution to offer electronic money issuence.	25/07/2024
N Kolay Ödeme ve Elektronik Para Kuruluşu Anonim Şirketi	Permission granted to provide payment services and issue electronic money.	25/07/2024
Qpay Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi	Permission granted to operate as an electronic money institution.	25/07/2024

Highlights of Debt Instruments Issued Abroad in Q3 2024

The debt issuances and coupon rates of various public institutions, organizations and financial institutions in July, August, and September 2024 are as follows:

Government:

Issuer	Issuance Type	Nominal Issuance Ceiling	Date	Coupon Rate (%)
Ministry of Treasury and Finance	Bond	USD 3.500.000.000 *	03/10/2024	6,500

*As a result of the transaction, approximately USD 1.84 billion of the USD 3.5 billion nominal amount of bonds issued with a maturity of 2035 was used to replace the bonds maturing in 2024 and 2025 within the scope of the liability management transaction, and the remaining portion was provided as cash financing.

Financial Institutions and Companies:

Issuer	Issuance Type	Nominal Issuance Ceiling	Date	Coupon Rate (%)
Türkiye Vakıflar Bankası TAO	Sustainable Corporate Bond	USD 500.000.000	01/10/2024	6.875
Yapı ve Kredi Bankası A.Ş.	Corporate Bond	USD 500.000.000	04/09/2024	7.125
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (ek ihraç)	Corporate Bond	USD 200.000.000	02/08/2024	8,375
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	Corporate Bond	USD 750.000.000	23/07/2024	8,375

Debt Instruments Approved by the Capital Markets Board for Issuance Abroad in Q3 2024:

In the third quarter of 2024, 12 companies received CMB approval for debt instruments to be issued abroad. Most of the approved issuance types are bonds/financing bills, but also sustainable debt instruments. On 17 October 2024, Zorlu Enerji Elektrik Üretim A.Ş. announced the demand collection process had been completed and the issuance of USD 800,000 in bonds was expected to be completed on 23 October 2024, in response to the determination of the nominal issue ceiling of USD 1.1 million, which was approved on 25 September 2024.